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3
4 BEFORE THE CITY COUNCIL
5 OF THE CITY OF LAS VEGAS, NEVADA

6 * * *

7 IN THE MATTER OF:

8 DEPARTMENT OF FINANCE AND
9 BUSINESS SERVICES on behalf of the
CITY OF LAS VEGAS, NEVADA,

10 Petitioner,

11 vs.

12 THE POWER COMPANY, INC. d/b/a
13 CRAZY HORSE TOO,

14 Respondent.

**FIRST AMENDED
COMPLAINT FOR
DISCIPLINARY ACTION**

15
16 The DEPARTMENT OF FINANCE AND BUSINESS SERVICES, on behalf of the
17 CITY OF LAS VEGAS, NEVADA (Department), Petitioner, brings this Complaint for
18 Disciplinary Action against THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO,
19 2476 Industrial Road, Las Vegas, Clark County, Nevada, Respondent, and states:

20 1. Respondent THE POWER COMPANY, INC., holds **Tavern License** No.
21 L16-00003-4-000209.

22 2. Records held by the Department indicate that Frederick Rizzolo is a principal in
23 the corporation who holds a 95% share, and that Bartholomew "Bart" Rizzolo holds a 5%
24 share. **Frederick Rizzolo** is listed as the **manager** of CRAZY HORSE TOO.

25 **SUMMARY OF ALLEGATIONS**

26 On June 1, 2006, THE POWER COMPANY, INC. d/b/a **CRAZY HORSE TOO**
27 **pled guilty** in the United States District Court for the District of Nevada to one count of
28 Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity between

Submitted at City Council

Date 7/12/2006 Item #57

January 1, 2000, and 20005. On the same date **Frederick Rizzolo pled guilty**, in the same court, to one count of Conspiracy to Defraud the United States between January 1, 2000, and 2005. **Sixteen (16) employees** of CRAZY HORSE TOO, **pled guilty**,¹ in the same court, to various charges, including False Statements Before a Grand Jury, Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity, and Conspiracy to Defraud the United States.²

Las Vegas Municipal Code (LVMC) § 6.02.330(H) proscribes operating a business whose “actual **business activity** constitutes a public or private nuisance, or has been or is **being conducted in an unlawful, illegal or impermissible manner**. [Emphasis added.]”

¹

GUILTY PLEAS

The Power Company, Inc.	3	Steven Crespi	18
Frederick Rizzolo	8	Rocco Lombardo	18
Robert D’Apice	10	Michael Lomonaco	19
Vincent Faraci	12	Michael Muscato	20
Joseph Melfi	13	Ralph Pope	21
Albert Rapuano	14	Scott Speroni	21
John Drace	15	James Stressing	22
Steve Alberts	16	Robert Ubriaco	23
Darren Bruy	17	Paula McBride	24

CHARGING DOCUMENTS

The Criminal Information	The Power Company, Inc. d/b/a Crazy Horse Too	25
The Criminal Information	Frederick John Rizzolo	27
The Criminal Information	Robert D’Apice and fourteen (14) other employees of Crazy Horse Too	29
The Criminal Indictment	Paula McBride	32

² The Power Company, Inc. admitted that it was “pleading guilty because the defendant is guilty of the charged offense,” and that “the United States could prove facts sufficient to establish beyond a reasonable doubt the defendant is guilty of the offense charged.” See page 6 of this Complaint. The Criminal Information to which The Power Company, Inc. pled guilty charged it with Conspiracy to Participate in a Racketeering Enterprise “during the period from **2000 to 2005**.” See page 27 of this Complaint. LVMC § 6.02.360 provides that a licensee subject to discipline may be fined “in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence” If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 REGULATORY POWERS DECLARED

2 LIQUOR CONTROL

3 The City Council declares that this Liquor Control
4 Chapter is an exercise of the regulatory powers delegated to the
5 City Council pursuant to the City Charter and NRS 268.090,
6 inter alia. The regulations contained in this Chapter involve, to
7 the highest degree, the economic, social, physical and moral
8 well-being of the residents and taxpayers of the City. **The sale or
9 other disposition of alcoholic beverages is not a matter of
10 right but of privilege**, which would otherwise be unlawful if it
11 were not exercised pursuant to a license. This privilege may be
12 denied, revoked, conditioned, suspended or subjected to any
13 other disciplinary action by the City in the exercise of its police
14 powers for the protection of the safety, welfare, health, peace
15 and morals of the residents and taxpayers thereof. Businesses
16 engaged in the sale or other disposition of alcoholic beverages
17 must therefore comply with LVMC Chapter 6.06. Nothing in this
18 Chapter shall be construed to confer any legitimate claim of
19 entitlement to any benefit which might otherwise devolve upon
20 any licensee or any person approved for suitability.

21 LVMC § 6.50.010 (emphasis added).

22 THE GUILTY PLEA OF THE POWER COMPANY, INC.

23 THE POWER COMPANY, INC. **pled guilty** to one count of **Conspiracy to**
24 **Participate in an Enterprise Engaged in Racketeering Activity** in violation of 18 U.S.C. §
25 1962(d) June 1, 2006, under Case No. 2:06-cr-186-PMP-PAL in the United States District
26 Court for the District of Nevada. On May 31, 2006, the shareholders and directors of THE
27 POWER COMPANY, INC. had appointed Anthony Sgro, Esq., as the corporation's attorney-
28 in-fact for the limited purpose of entering this guilty plea. The plea included the execution and
filing of a plea memorandum with the court. Relevant portions of the Plea Memorandum
provide:

23 The Defendant Corporation will plead guilty to Count One
24 of the Information charging conspiracy to participate in an
enterprise engaged in racketeering activity

25 The Defendant Corporation also agreed to **forfeit**
26 **\$4,250,000.00**

27

28

1 The Government and Defendant Corporation agree that
2 the court should impose a **\$500,000 fine** upon Defendant
3 Corporation

4 Defendant Corporation agrees to make **restitution** in an
5 amount of **\$10,000,000** as compensation for injury and damages
6 to **Kirk and Amy Henry**³, with \$1,000,000 due immediately

7 ³ The Power Company, Inc. further admits, in its Plea Memorandum, that “**THE CRAZY**
8 **HORSE TOO** . . . sought to **extort** payment from patrons through explicit or implicit threats of
9 violence, or through actual use of force [Emphasis added.]” See p. 7. Crazy Horse Too
10 employee **Robert D’Apice** admits in his Plea Memorandum that “the defendant, during the
11 course of the conspiracy and acting within the scope of his employment at THE CRAZY HORSE
12 TOO, on at least two or more occasions sought to extort payment from patrons through explicit
13 or implicit threats of violence, and through actual use of force and physical violence against
14 patrons in which various degrees of **bodily injury** were caused. [Emphasis added.]” See p. 11.

15 Kirk and Amy Henry in their civil complaint for damages against The Power Company,
16 Inc. and Rick Rizzolo describe **Kirk Henry’s encounter with Robert D’Apice**:

17 Sometime during the early morning hours of September 20,
18 2001, Plaintiff was on and within the confines of the **Crazy Horse**
19 and in the area appurtenant and under the control of Defendants, as
20 a business invitee.

21 While attempting to leave the Crazy Horse, plaintiff was
22 confronted by a female dancer who claimed that Plaintiff owed the
23 establishment in excess of \$80 plus tip in exchange for dances he
24 had allegedly received. When plaintiff disputed these allegations,
25 the dancer summoned Robert D’Apice, the shift manager of the
26 Crazy Horse.

27 **D’Apice demanded** that Plaintiff give him two credit cards
28 to pay for the alleged charges. Plaintiff was hesitant to provide two
29 credit cards but offered to pay approximately \$50 in cash to satisfy
30 the disputed charges so he might leave.

31 As Plaintiff was exiting the doorway of the Crazy Horse,
32 **D’Apice** grabbed him from behind, **twisted his neck**, and forced
33 him violently to the ground. Plaintiff was in **severe pain** and **could**
34 **not move his legs**.

35 While Plaintiff lay motionless on the ground, the bouncer
36 **took Plaintiff’s wallet** from his person, removed Plaintiff’s credit

(continued...)

1 upon the entry of Defendant Corporation's plea and the
2 remainder due and to be paid from the proceeds of the sale of
THE CRAZY HORSE TOO at the time of the closing of its sale.

3 . . .

4 Defendant Corporation agrees to make **restitution** in an
amount of **\$1,734,000** to the Internal Revenue Service (**IRS**).
5 . . . This Plea Agreement is contingent on Defendant Corporation
and the IRS entering a **Closing Agreement**. Upon entry of the
6 said Closing Agreement, the agreement shall be attached to this
Plea Agreement and incorporated herein by reference.⁴ . . .

7 Defendant Corporation agrees to **forfeit** to the United
States of America voluntarily and immediately all of its rights to,
8 title in, and interest in the **\$4,250,000.00** from the proceeds of
the sale of THE CRAZY HORSE TOO. . . .

9

10 . . . THE POWER COMPANY, INC., within 12 months
11 from the entry of its plea shall **sell THE CRAZY HORSE TOO**.
12 . . .

13

14 If at the end of the 12-month period for selling of THE
CRAZY HORSE TOO, Defendant Corporation has not sold THE
CRAZY HORSE TOO . . . the Government and defendant . . .
15 will confer in a good faith effort to determine and agree on a
third party manager/seller If the parties are unable to reach
16 an agreement . . . then either or both parties may apply to the
Court for a determination of the manager/seller. The third party
17 manager/seller shall be a licensed, nationally recognized
management/commercial sales firm. The manager/seller will be
18 responsible to: 1) lawfully operate the Crazy Horse Too during

19
20 ³(...continued)

21 card, and ran at least one \$88 charge inside the establishment for
the benefit of the Crazy Horse.

22 Plaintiff was ultimately transported from the Crazy Horse to
23 Valley Hospital where he was diagnosed with **spinal fractures at**
C6-C7 as well as significant swelling and other damage at the C2
24 level of his spinal cord. As a result of the conduct of defendants
and their agents, **Plaintiff was rendered a quadriplegic at 43**
25 **years of age**.

26 See Document 23 (emphasis added).

27 ⁴ The Closing Agreement was executed June 1, 2006, by Rick Rizzolo and thereafter by a
28 designee of the Commissioner of Internal Revenue. See the Plea Memorandum.

1 the time the business is being sold . . . and 2) to sell the club in
2 as reasonable time as possible

3 **The Government shall have the right to disapprove a**
4 **Buyer** of THE CRAZY HORSE TOO who the Government
5 objectively demonstrates is a close relative or ongoing business
6 partner of FREDERICK RIZZOLO, is a multiple felon or a felon
7 within the last ten years, or has business dealings with identified
8 members and associates of the La Cosa Nostra (LCN) or other
9 identified organized crime group or has been convicted of a crime
10 with identified members and associates of the LCN or other
11 identified organized crime group.

12 . . . Defendant Corporation will **make available** to such
13 individuals as the Government directs the **accounting books and**
14 **records** of THE CRAZY HORSE TOO for the purpose of
15 ensuring the lawful operation of the business. . . .

16
17 **This Plea Agreement** is limited to the United States
18 Attorney's Office for the District of Nevada and **cannot bind**
19 **any other** federal, state or local prosecuting, **administrative, or**
20 **regulatory authority.**

21
22 The Defendant Corporation is **pleading guilty because**
23 **the Defendant Corporation is guilty** of the offense charged
24

25 . . . Defendant Corporation acknowledges that if the
26 Defendant Corporation elected to go to trial instead of entering
27 this plea, **the United States could prove facts sufficient to**
28 **establish beyond a reasonable doubt** that the Defendant
Corporation is guilty of the offense charged⁵

The Defendant Corporation specifically admits and
declares under penalty of perjury that all of the **facts set forth**
below are true and correct.

. . . .

⁵ The Criminal Information filed against the Power Company, Inc. alleges that The Power Company, Inc. engaged in racketeering, extortion, and fraud between 2000 and 2005. LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of the complaint that recommends such disciplinary action is demonstrated to have been in existence" If the City Council approves the Complaint, and after hearing the matter determines that a disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**. See p. 27.

1 . . . **THE CRAZY HORSE TOO** . . . ROBERT
2 D'APICE, and other individuals **constituted a racketeering**
3 **enterprise**

4 . . . THE POWER COMPANY, INC., owned and
5 operated a business known as THE CRAZY HORSE TOO . . .
6 ROBERT D'APICE, was a shift manager

7 . . . **Defendant Corporation conspired** and agreed with
8 ROBERT D'APICE, and other individuals **to conduct** or
9 participate, directly or indirectly, in the conduct of **the**
10 **enterprise's affairs through a pattern of racketeering** activity,
11 to wit: acts of **extortion** and threats indictable under United
12 States Code . . . and Nevada Revised Statutes . . . acts of access
13 **device fraud** and **wire fraud** indictable under United States Code
14 . . . and acts of **mail fraud** and wire fraud indictable under . . .
15 United States Code

16 . . . [D]ancers generally collected payments from patrons
17 of THE CRAZY HORSE TOO for dances or other services the
18 dancers provided. If a patron refused to pay a dancer, or if a
19 patron disputed the charges claimed by a dancer, the dancer
20 typically followed the procedure of initially contacting the shift
21 manager . . . [T]he shift manager or other male employees,
22 during the course of the conspiracy and acting within the scope of
23 their employment at **THE CRAZY HORSE TOO** . . . **sought to**
24 **extort payment from patrons through** explicit or implicit
25 **threats** of violence, or through **actual use of force** and physical
26 violence against patrons to force the patron to pay the disputed
27 payment. . . .

28 . . . [D]ancers on one or more occasions **sought to**
defraud customers of THE CRAZY HORSE TOO by
overcharging the customers for dances or other services provided
or by causing charges on a customer's credit card in excess of the
dances or other services provided. . . . [T]he shift managers or
other male employees, during the course of the conspiracy and
acting within the scope of their employment at THE CRAZY
HORSE TOO . . . assisted the dancers in the commission of the
fraud by **extorting payment** from patrons through explicit or
implicit **threats of violence**, or through **actual use of force** and
physical violence **against patrons** to force the patron to pay the
disputed payment. . . .

. . . [I]n furtherance of the conspiracy . . . **THE CRAZY**
HORSE TOO, did not report or maintain records of the
money received from the dancers. . . . THE CRAZY HORSE
TOO used this unreported cash income from the business to
supplement the wages of certain employees. . . .

. . . [T]he owners of THE CRAZY HORSE TOO and
certain of the participating employees **did not accurately report**
the income of THE POWER COMPANY, INC., doing

business as, THE CRAZY HORSE TOO, or the income of the owners, managers, and employees of THE CRAZY HORSE TOO to the Nevada Employment Security Division, and to industrial (workman's compensation) insurance providers.

Document 2, Plea Memorandum, pp. 3, 5-9, 11, 13-17 (emphasis added).

THE GUILTY PLEA OF FREDERICK RIZZOLO

FREDERICK RIZZOLO entered a **plea of guilty** June 1, 2006, to one count of **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 in the United States District Court for the District of Nevada under Case No. 2:06-cr-186-PMP-PAL. A Plea Memorandum executed by FREDERICK RIZZOLO was filed with the court as part of the guilty plea. Relevant portions of the Plea Memorandum provide:

The Government and defendant agree that the court should impose a **\$250,000 fine** upon defendant at the time of defendant's sentencing

. . . .

Defendant voluntarily and immediately **agrees to the administrative forfeiture**, civil forfeiture, or criminal forfeiture of all of his rights to, title in, and interest in the **\$4,250,000.00** to the United States of America

. . . .

The \$4,250,000.00 agreed to be forfeited to the United States by the defendant is the same \$4,250,000.00 agreed to be forfeited by the Power Company, Inc. in its Plea Memorandum and does not represent an additional amount to be forfeited, i.e., only a total amount of \$4,250,000.00 shall be forfeited jointly by the defendant and the Power Company, Inc.

. . . .

Defendant Rizzolo agrees that, upon the sale of THE CRAZY HORSE TOO, **he will not thereafter continue to operate** or establish, open, or facilitate the establishment, opening, or operation of any business, trade, or commercial activity, similar to THE CRAZY HORSE TOO or involving the production and/or sale of pornographic . . . or erotic . . . media . . . or in any manner become interested, directly or indirectly, either as an employee, owner, partner, agent, stockholder, director, officer, LLC member, or otherwise, in any such business, trade or commercial enterprise within the geographical boundaries of the United States of America and its territories and commonwealths for the duration of his natural life. To the extent defendant Rizzolo currently owns, operates or has any involvement in any such establishments described in this

1 paragraph, other than THE CRAZY HORSE TOO, he shall have
2 12 months from the entry of his plea to dispose of such interests
or involvements.

3

4 **This Plea Agreement** is limited to the United States
5 Attorney's Office for the District of Nevada and **cannot bind**
6 **any other federal, state or local prosecuting, administrative, or**
7 **regulatory authority.**

8

9 The defendant is **pleading guilty because the defendant**
10 **is guilty** of the charged offense.

11 In pleading to that offense, the defendant acknowledges
12 that if the defendant elected to go to trial instead of entering this
13 plea, **the United States could prove facts sufficient to establish**
14 **beyond a reasonable doubt** that the defendant is guilty of the
15 offense charged⁶

16 The defendant specifically admits and declares under
17 penalty of perjury that all of the **facts set forth below are true**
18 **and correct:**

19 THE CRAZY HORSE TOO and the **defendant** and
20 employees **conspired to defraud** the United States.

21 THE CRAZY HORSE TOO in Las Vegas, Nevada, was
22 typically known as a "gentlemen's club" or "strip club." . . .

23 Dancers performing at THE CRAZY HORSE TOO are
24 treated as independent contractors and are not paid by the club
25 for their services. Rather, THE CRAZY HORSE TOO patrons
26 commonly pay individual dancers for their services. The dancers
27 at THE CRAZY HORSE TOO are generally required to pay the
28 management or owners of THE CRAZY HORSE TOO a fee for
the opportunity to ply their craft within the club. Rather than
charging dancers a flat fee, the shift management of THE
CRAZY HORSE TOO generally required that dancers pay a
percentage of their earnings. More specifically, **THE CRAZY**
HORSE TOO generally required that dancers pay fifteen
percent (15%) of their earnings The shift managers of

24
25 ⁶ See page 27 of this Disciplinary Complaint quoting the Criminal Complaint as stating that
26 the conspiracy lasted between 2000 and 2005. LVMC § 6.02.360 provides that a licensee subject
27 to discipline may be fined "in an amount not to exceed **\$1,000 for each day** that the violation
28 which forms the subject matter of the complaint that recommends such disciplinary action is
demonstrated to have been in existence" If the City Council approves the Complaint, and
after hearing the matter determines that a disciplinary offense has been committed as set forth in
the Complaint, THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO is subject to a fine
not to exceed **\$2,192,000.**

1 THE CRAZY HORSE TOO generally collected fifteen percent
2 (15%) of the individual dancers' earnings at the end of each shift.

3 As part of the conspiracy, the management of THE
4 CRAZY HORSE TOO did not report or maintain records of
5 the money received from the dancers. The management of THE
6 CRAZY HORSE TOO used this unreported cash income from
7 the business to supplement the wages of certain employees.
8 . . . As a result of the procedures of THE CRAZY HORSE TOO
9 persons receiving the cash salary payments generally under-
10 reported amounts received to THE CRAZY HORSE TOO's
11 bookkeeping staff. By failing to report or record the cash
12 payments to the club's employees, the owners of THE CRAZY
13 HORSE TOO and certain of the participating employees were
14 able to avoid Federal Insurance Contributions Act (FICA) taxes
15 owed to the United States on the unreported compensation.

16 As part of the conspiracy the defendant and management
17 of THE CRAZY HORSE TOO delivered to the accountant and
18 tax preparer for THE CRAZY HORSE TOO records which failed
19 to reflect the monies described The defendant and
20 management of THE CRAZY HORSE TOO knew that the
21 accountant would rely on these inaccurate summary sheets to
22 prepare quarterly financial reports and tax returns

23 The management knowingly caused the preparation
24 and delivery of numerous inaccurate Internal Revenue Service
25 W-2 Forms to certain employees of THE CRAZY HORSE TOO,
26 as well as to the Internal Revenue Service. The figures reported
27 on the W-2 Forms did not reflect the true amount of the income
28 paid by the business to its management and employees. The
management and employees of THE CRAZY HORSE TOO then
knowingly used these inaccurate W-2 Forms to cause false
individual income tax returns to be filed with the Internal
Revenue Service.

19 . . . [T]he conspiracy allowed THE CRAZY HORSE
20 TOO to underpay approximately \$400,000 in Federal Insurance
21 Contributions Action (FICA) taxes and Medicare taxes.

22 Document 3, Plea Memorandum, pp. 4-13 (emphasis added).

23 THE GUILTY PLEA OF ROBERT D'APICE

24 ROBERT D'APICE entered a plea of guilty May 31, 2006, to one count of
25 Conspiracy to Participate in an Enterprise Engaged in Racketeering Activity in violation
26 of 18 U.S.C. § 1962(d) in the United States District Court for the District of Nevada under
27 Case No. 2:05-cr-17-KJD-LRL. The guilty plea included filing a Plea Memorandum.
28 Relevant portions of the Plea Memorandum executed by ROBERT D'APICE provide:

. . . .

1 The defendant will plead guilty to count one of the
2 information charging conspiracy to participate in an enterprise
engaged in racketeering activity

3

4 This Plea Agreement is limited to the United States
5 Attorney's Office for the District of Nevada and cannot bind any
6 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

7

8 The defendant is pleading guilty because the defendant is
guilty of the charged offense.

9 In pleading to the offense, the defendant acknowledges
10 that if the defendant elected to go to trial instead of entering this
11 plea, the United States could prove facts sufficient to establish the
defendant's guilt beyond a reasonable doubt.

12 The defendant specifically admits and declares under
13 penalty of perjury that all of the facts set forth below are true and
correct:

14

15 . . . [D]efendant **ROBERT D'APICE** was a shift
16 **manager** at the business operation of THE POWER COMPANY,
INC., doing business as THE CRAZY HORSE TOO.

17

18 At all times material to this agreement, dancers usually
19 collected payments from patrons of THE CRAZY HORSE TOO
20 for dances or other services the dancers provided. If a patron
21 refused to pay a dancer, or if a patron disputed the charges
22 claimed by a dancer, the dancer typically followed the procedure
23 of initially contacting the shift manager [T]he defendant,
24 **during the course of the conspiracy and acting within the**
25 **scope of his employment** at THE CRAZY HORSE TOO, on at
26 least two or more occasions **sought to extort payment from**
27 **patrons through explicit or implicit threats of violence, and**
28 **through actual use of force and physical violence against**
patrons in which various degrees of bodily injury were caused.
In carrying out this purpose of the enterprise, defendant engaged
in acts and threats involving extortion in violation of state law
. . . .

26 Document 4, Plea Memorandum, pp. 2, 7, 9-10 (emphasis added).

27

28

THE GUILTY PLEA OF VINCENT FARACI

On May 31, 2006, VINCENT FARACI pled guilty to one count of **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 in the United States District Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. This guilty plea involved filing a Plea Memorandum executed by VINCENT FARACI May 31, 2006. Relevant portions of the Plea Memorandum provide that:

The defendant will plead guilty to count two of the information charging conspiracy to defraud the United States

. . . .

This Plea Agreement is limited to the United States Attorney's Office for the District of Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authority. . . .

The defendant is pleading guilty because the defendant is guilty of the charged offense.

In pleading to that offense, the defendant acknowledges that if the defendant elected to go to trial instead of entering this plea, the United States could prove facts sufficient to establish beyond a reasonable doubt that the defendant is guilty of the offense charged

The defendant specifically admits and declares under penalty of perjury that all of the facts set forth below are true and correct:

THE CRAZY HORSE TOO and the defendant and employees conspired to defraud the United States.

THE CRAZY HORSE TOO . . . was typically known as a "gentlemen's club" or "strip club." . . .

Dancers performing at THE CRAZY HORSE TOO are treated as independent contractors and are not paid by the club for their services. Rather, THE CRAZY HORSE TOO patrons commonly pay individual dancers for their services. The dancers at THE CRAZY HORSE TOO are generally required to pay the management or owners of THE CRAZY HORSE TOO a fee for the opportunity to ply their craft within the club. Rather than charging dancers a flat fee, the shift management of **THE CRAZY HORSE TOO generally required that dancers pay a percentage of their earnings.** More specifically, THE CRAZY HORSE TOO generally required that dancers pay fifteen percent (15%) of their earnings for the privilege of dancing for patrons at

1 THE CRAZY HORSE TOO. The shift managers of THE
2 CRAZY HORSE TOO generally collected fifteen percent (15%)
3 of the individual dancers' earnings at the end of each shift. . . .
4 The defendant was among the employees of THE CRAZY
HORSE TOO who received a portion of the United States
currency collected from the dancers.

5 . . . [T]he defendant agreed and conspired with THE
6 CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

7 Document 5, Plea Memorandum, pp. 2, 6-9 (emphasis added).

8 **THE GUILTY PLEA OF JOSEPH MELFI**

9 JOSEPH MELFI entered a plea of guilty to one count of **Conspiracy to Defraud the**
10 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, in the United States District
11 Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. A Plea Memorandum
12 was filed with the court as part of the guilty plea. Relevant portions of the Plea Memorandum
13 provide that:

14 The defendant will plead guilty to count two of the
15 information charging conspiracy to defraud the United States
. . . .

16
17 This Plea Agreement is limited to the United States
18 Attorney's Office for the District of Nevada and cannot bind any
19 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

20
21 The defendant is pleading guilty because the defendant is
guilty of the charged offense.

22 In pleading to that offense, the defendant acknowledges
23 that if the defendant elected to go to trial instead of entering this
24 plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

25
26 **THE CRAZY HORSE TOO and the defendant and**
27 **employees conspired to defraud the United States.**
28

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
5 received a portion of the United States currency collected from
6 the dancers.

7 . . . [T]he defendant agreed and conspired with THE
8 CRAZY HORSE TOO, its management, and other employees, to
9 under-report the cash income received at the end of each shift.

10 Document 6, Plea Memorandum, pp. 2, 6-9 (emphasis added).

11 **THE GUILTY PLEA OF ALBERT RAPUANO**

12 ALBERT RAPUANO entered a plea of guilty to one count of **Conspiracy to Defraud**
13 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, in the United States District
14 Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL. A Plea Memorandum
15 was filed with the court as part of the guilty plea. Relevant portions of the Plea Memorandum
16 provide that:

17 The defendant will plead guilty to count two of the
18 information charging conspiracy to defraud the United States
19

20
21 This Plea Agreement is limited to the United States
22 Attorney's Office for the District of Nevada and cannot bind any
23 other federal, state or local prosecuting, administrative, or
24 regulatory authority. . . .

25
26 The defendant is pleading guilty because the defendant is
27 guilty of the charged offense.

28 In pleading to that offense, the defendant acknowledges
that if the defendant elected to go to trial instead of entering this
plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

. . . .
**THE CRAZY HORSE TOO and the defendant and
employees conspired to defraud the United States.**
. . . .

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

5 . . . [T]he defendant agreed and conspired with THE
6 CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

7 Document 7, Plea Memorandum, pp. 2, 6-9 (emphasis added).

8 **THE GUILTY PLEA OF JOHN DRACE**

9 JOHN DRACE pled guilty to one count of **Conspiracy to Defraud the United States**
10 in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL in the
11 United States District Court for the District of Nevada. He filed a Plea Memorandum as part
12 of his guilty plea. Relevant portions of the Plea Memorandum provide:

13 The defendant will plead guilty to Count Two of the
14 Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

15

16 This Plea Agreement is limited to the United States
17 Attorney's Office for the District of Nevada and cannot bind any
18 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

18

19 The defendant is pleading guilty because the defendant is
20 guilty of the charged offense.

21 In pleading to that offense, the defendant acknowledges
22 that if the defendant elected to go to trial instead of entering this
23 plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

24

25 **THE CRAZY HORSE TOO and the defendant and**
26 **employees conspired to defraud the United States.**

26

27 . . . The shift managers of THE CRAZY HORSE TOO
28 generally collected fifteen percent (15%) of the individual
dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who

received a portion of the United States currency collected from the dancers.

. . . [T]he defendant agreed and conspired with THE CRAZY HORSE TOO, its management, and other employees, to under-report the cash income received at the end of each shift.

Document 8, Plea Memorandum, pp. 2, 6-9 (emphasis added).

THE GUILTY PLEA OF STEVE ALBERTS

STEVE ALBERTS pled guilty to one count of **Conspiracy to Defraud the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL in the United States District Court for the District of Nevada. Part of the guilty plea involved filing a Plea Memorandum. Relevant portions of the Plea Memorandum provide:

The defendant will plead guilty to Count Two of the Information charging conspiracy to defraud the United States in violation of Title 18, United States Code, Section 371.

. . . .

This Plea Agreement is limited to the United States Attorney's Office for the District of Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authority. . . .

. . . .

The defendant is pleading guilty because the defendant is guilty of the charged offense.

In pleading to that offense, the defendant acknowledges that if the defendant elected to go to trial instead of entering this plea, the United States could prove facts sufficient to establish beyond a reasonable doubt that the defendant is guilty of the offense charged in Count Two of the Information.

. . . .

THE CRAZY HORSE TOO and the defendant and employees conspired to defraud the United States.

. . . .

. . . The shift managers of THE CRAZY HORSE TOO generally collected fifteen percent (15%) of the individual dancers' earnings at the end of each shift. . . . The defendant was among the employees of THE CRAZY HORSE TOO who received a portion of the United States currency collected from the dancers.

1 . . . [T]he defendant agreed and conspired with THE
2 CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

3 Document 9, Plea Memorandum, pp. 2, 6-9 (emphasis added).

4 **THE GUILTY PLEA OF DARREN BRUY**

5 DARREN BRUY pled guilty to one count of **Conspiracy to Defraud the United**
6 **States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL
7 in the United States District Court for the District of Nevada. He filed a Plea Memorandum as
8 part of his guilty plea. Relevant portions of the Plea Memorandum provide that:

9 The defendant will plead guilty to Count Two of the
10 Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

11

12 This Plea Agreement is limited to the United States
13 Attorney's Office for the District of Nevada and cannot bind any
14 other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

15

16 The defendant is pleading guilty because the defendant is
guilty of the charged offense.

17 In pleading to that offense, the defendant acknowledges
18 that if the defendant elected to go to trial instead of entering this
19 plea, the United States could prove facts sufficient to establish
beyond a reasonable doubt that the defendant is guilty of the
offense charged in Count Two of the Information.

20

21 **THE CRAZY HORSE TOO and the defendant and**
22 **employees conspired to defraud the United States.**

23 The shift managers of THE CRAZY HORSE TOO
24 generally collected fifteen percent (15%) of the individual
25 dancers' earnings at the end of each shift. . . . The defendant was
26 among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

27 . . . [T]he defendant agreed and conspired with THE
28 CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 10, Plea Memorandum, pp. 2, 6-9 (emphasis added).

1 **THE GUILTY PLEA OF STEVEN CRESPI**

2 STEVEN CRESPI pled guilty to one count of **Conspiracy to Defraud the United**
3 **States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL
4 in the United States District Court for the District of Nevada. He filed a Plea Memorandum as
5 part of this guilty plea. Relevant portions of the Plea Memorandum provide:

6 The defendant will plead guilty to Count Two of the
7 Information charging conspiracy to defraud the United States in
8 violation of Title 18, United States Code, Section 371.

9

10 This Plea Agreement is limited to the United States
11 Attorney's Office for the District of Nevada and cannot bind any
12 other federal, state or local prosecuting, administrative, or
13 regulatory authority. . . .

14

15 **THE CRAZY HORSE TOO and the defendant and**
16 **employees conspired to defraud the United States.**

17

18 . . . The shift managers of THE CRAZY HORSE TOO
19 generally collected fifteen percent (15%) of the individual
20 dancers' earnings at the end of each shift. . . . The defendant was
21 among the employees of THE CRAZY HORSE TOO who
22 received a portion of the United States currency collected from
23 the dancers.

24 . . . [T]he defendant agreed and conspired with THE
25 CRAZY HORSE TOO, its management, and other employees, to
26 under-report the cash income received at the end of each shift.

27 Document 11, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

28 **THE GUILTY PLEA OF ROCCO LOMBARDO**

ROCCO LOMBARDO entered a plea of guilty to one count of **Conspiracy to Defraud**
the United States in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-
17-KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
Memorandum as part of this guilty plea. Relevant portions of the Plea Memorandum provide:

 The defendant will plead guilty to Count Two of the
Information charging conspiracy to defraud the United States in
violation of Title 18, United States Code, Section 371.

1
2 This Plea Agreement is limited to the United States
3 Attorney's Office for the District of Nevada and cannot bind any
4 other federal, state or local prosecuting, administrative, or
5 regulatory authority. . . .

6
7 **THE CRAZY HORSE TOO and the defendant and**
8 **employees conspired to defraud the United States.**

9 . . . The shift managers of THE CRAZY HORSE TOO
10 generally collected fifteen percent (15%) of the individual
11 dancers' earnings at the end of each shift. . . . The defendant was
12 among the employees of THE CRAZY HORSE TOO who
13 received a portion of the United States currency collected from
14 the dancers.

15 . . . [T]he defendant agreed and conspired with THE
16 CRAZY HORSE TOO, its management, and other employees, to
17 under-report the cash income received at the end of each shift.

18 Document 12, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

19 **THE GUILTY PLEA OF MICHAEL LOMONACO**

20 MICHAEL LOMONACO pled guilty to one count of **Conspiracy to Defraud the**
21 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
22 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
23 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

24 The defendant will plead guilty to Count Two of the
25 Information charging conspiracy to defraud the United States in
26 violation of Title 18, United States Code, Section 371.

27
28 This Plea Agreement is limited to the United States
Attorney's Office for the District of Nevada and cannot bind any
other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

THE CRAZY HORSE TOO and the defendant and
employees conspired to defraud the United States.

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
5 received a portion of the United States currency collected from
6 the dancers.

7 . . . [T]he defendant agreed and conspired with THE
8 CRAZY HORSE TOO, its management, and other employees, to
9 under-report the cash income received at the end of each shift.

10 Document 13, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

11 THE GUILTY PLEA OF MICHAEL MUSCATO

12 MICHAEL MUSCATO pled guilty to one count of **Conspiracy to Defraud the**
13 **United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
14 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
15 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

16 The defendant will plead guilty to Count Two of the
17 Information charging conspiracy to defraud the United States in
18 violation of Title 18, United States Code, Section 371.

19

20 This Plea Agreement is limited to the United States
21 Attorney's Office for the District of Nevada and cannot bind any
22 other federal, state or local prosecuting, administrative, or
23 regulatory authority. . . .

24

25 **THE CRAZY HORSE TOO and the defendant and**
26 **employees conspired to defraud the United States.**

27

28 . . . The shift managers of THE CRAZY HORSE TOO
generally collected fifteen percent (15%) of the individual
dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

. . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 14, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

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The defendant will plead guilty to Count Two of the Information charging conspiracy to defraud the United States in violation of Title 18, United States Code, Section 371.

• • • •

• • • •

• • • •

... [T]he defendant agreed and conspired with THE CRAZY HORSE TOO, its management, and other employees, to under-report the cash income received at the end of each shift.

Document 15, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

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28

The defendant will plead guilty to Count Two of the information charging conspiracy to defraud the United States in violation of Title 18, United States Code, Section 371.

1
2 This Plea Agreement is limited to the United States
3 Attorney's Office for the District of Nevada and cannot bind any
4 other federal, state or local prosecuting, administrative, or
5 regulatory authority. . . .

6
7 **THE CRAZY HORSE TOO and the defendant and**
8 **employees conspired to defraud the United States.**

9 . . . The shift managers of THE CRAZY HORSE TOO
10 generally collected fifteen percent (15%) of the individual
11 dancers' earnings at the end of each shift. . . . The defendant was
12 among the employees of THE CRAZY HORSE TOO who
13 received a portion of the United States currency collected from
14 the dancers.

15 . . . [T]he defendant agreed and conspired with THE
16 CRAZY HORSE TOO, its management, and other employees, to
17 under-report the cash income received at the end of each shift.

18 Document 16, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

19 **THE GUILTY PLEA OF JAMES STRESSING**

20 JAMES STRESSING entered a plea of guilty to one count of **Conspiracy to Defraud**
21 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
22 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
23 Memorandum as part of this guilty plea. Relevant portions of the Plea Memorandum provide:

24 The defendant will plead guilty to Count Two of the
25 Information charging conspiracy to defraud the United States in
26 violation of Title 18, United States Code, Section 371.

27
28 This Plea Agreement is limited to the United States
Attorney's Office for the District of Nevada and cannot bind any
other federal, state or local prosecuting, administrative, or
regulatory authority. . . .

THE CRAZY HORSE TOO and the defendant and
employees conspired to defraud the United States.

1 . . . The shift managers of THE CRAZY HORSE TOO
2 generally collected fifteen percent (15%) of the individual
3 dancers' earnings at the end of each shift. . . . The defendant was
4 among the employees of THE CRAZY HORSE TOO who
5 received a portion of the United States currency collected from
6 the dancers.

7 . . . [T]he defendant agreed and conspired with THE
8 CRAZY HORSE TOO, its management, and other employees, to
9 under-report the cash income received at the end of each shift.

10 Document 17, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

11 **THE GUILTY PLEA OF ROBERT UBRIACO**

12 ROBERT UBRIACO entered a plea of guilty to one count of **Conspiracy to Defraud**
13 **the United States** in violation of 18 U.S.C. § 371 May 31, 2006, under Case No. 2:05-cr-17-
14 KJD-LRL in the United States District Court for the District of Nevada. He filed a Plea
15 Memorandum as part of his guilty plea. Relevant portions of the Plea Memorandum provide:

16 The defendant will plead guilty to Count Two of the
17 Information charging conspiracy to defraud the United States in
18 violation of Title 18, United States Code, Section 371.

19

20 This Plea Agreement is limited to the United States
21 Attorney's Office for the District of Nevada and cannot bind any
22 other federal, state or local prosecuting, administrative, or
23 regulatory authority. . . .

24

25 **THE CRAZY HORSE TOO and the defendant and**
26 **employees conspired to defraud the United States.**

27

28 . . . The shift managers of THE CRAZY HORSE TOO
generally collected fifteen percent (15%) of the individual
dancers' earnings at the end of each shift. . . . The defendant was
among the employees of THE CRAZY HORSE TOO who
received a portion of the United States currency collected from
the dancers.

. . . [T]he defendant agreed and conspired with THE
CRAZY HORSE TOO, its management, and other employees, to
under-report the cash income received at the end of each shift.

Document 18, Plea Memorandum, pp. 2, 6, 8-9 (emphasis added).

THE GUILTY PLEA OF PAULA McBRIDE

PAULA McBRIDE entered a plea of guilty to one count charging **False Statement Before a Grand Jury** in violation of 18 U.S.C. § 1623 May 31, 2006, under Case No. 2:05-cr-17-KJD-LRL in the United States District Court for the District of Nevada. She filed a Plea Memorandum as part of her guilty plea. Relevant portions of the Plea Memorandum provide:

The defendant will plead guilty to Count Six of the Indictment charging false statement before grand jury in violation of Title 18, United States Code, Section 1623.

. . . .

This Plea Agreement is limited to the United States Attorney's Office for the District of Nevada and cannot bind any other federal, state or local prosecuting, administrative, or regulatory authority. . . .

. . . .

The defendant is pleading guilty because the defendant is guilty of the charged offense.

In pleading to the offense, the defendant acknowledges that if the defendant elected to go to trial instead of entering this plea, the United States could prove facts sufficient to establish the defendant's guilt beyond a reasonable doubt.

. . . .

From in or about August 2001, up to and including January 2005, Special Federal Grand Juries for the District of Nevada have been investigating the activities of defendant ROBERT D'APICE, THE POWER COMPANY, INC., doing business as THE CRAZY HORSE TOO and their associates concerning possible violations of federal criminal statutes. In particular, **the grand jury was investigating acts of violence by employees of THE CRAZY HORSE TOO**, including ROBERT D'APICE, in the course of their employment and the use of extortionate means with patrons by employees of THE CRAZY HORSE TOO, including defendant ROBERT D'APICE, to collect disputed charges. As part of its investigation, **the grand jury was seeking to determine the knowledge of** certain individuals, including defendant PAULA McBRIDE, as to individuals involved in acts of violence by employees of THE CRAZY HORSE TOO, including ROBERT D'APICE, **in the course of their employment and use of extortionate means** with patrons by employees of THE CRAZY HORSE TOO, including defendant ROBERT D'APICE, to collect disputed charges.

. . . [D]efendant PAULA McBRIDE, while under oath as a witness before the Special Federal Grand Jury of the District of Nevada, made the following material **declarations**:

1 Q. At the time that he [individual identified as **Henry**
2 who **was found injured** outside Crazy Horse Too]
3 was leaving the Crazy Horse how was he walking
4 out?

5 A. Calmly, kind of tipsy, a little bit.

6 Q. **At the time that he walked out was there**
7 **anyone walking out near him?**

8 A. **No.**

9

10 At the time defendant **PAULA McBRIDE** made these
11 declarations she **knew that they were false** in that defendant
12 **PAULA McBRIDE** knew that she had observed the person
13 identified as Henry exit **THE CRAZY HORSE TOO** with or in
14 close proximity of **ROBERT D'APICE**

15 Document 19, Plea Memorandum, pp. 2, 6, 8-10 (emphasis added).

16 **THE CRIMINAL INFORMATION**
17 **(2:06-cr-0186-PMP-PAL)**

18 **CONSPIRACY TO PARTICIPATE IN AN**
19 **ENTERPRISE THROUGH A PATTERN OF RACKETEERING**

20 **THE POWER COMPANY, INC. d/b/a CRAZY HORSE TOO**

21 On June 1, 2006, a Criminal Information was filed in the United States District Court
22 for the District of Nevada under Case No. 2:06-cr-186-PMP-PAL charging **THE POWER**
23 **COMPANY, INC., d/b/a CRAZY HORSE TOO** in one count with **Conspiracy to Participate**
24 **in a Racketeering Enterprise** in violation of 18 U.S.C. § 1962(d). The Criminal Information
25 relevantly provides that:

26 **THE CRAZY HORSE TOO** in Las Vegas, Nevada, was
27 commonly known as a "gentlemen's club" or "strip club." The
28 terms "gentlemen's club" and "strip club" generally refer to
business establishments in which women dance semi-nude as
entertainment for the establishments' patrons. **THE CRAZY**
HORSE TOO provided entertainment to large numbers of tourists
traveling from outside the State of Nevada into the State of
Nevada.

Document 20, Criminal Information, Count One, ¶ 3, p. 2.

During the period from 2000 to 2005, dancers at **THE**
CRAZY HORSE TOO generally collected payments from patrons
of **THE CRAZY HORSE TOO** for dances or other services the
dancers provided. If a patron refused to pay a dancer, or if a

1 patron disputed the charges claimed by a dancer, the dancer
2 typically followed the procedure of initially contacting the shift
3 manager, or other male employees at THE CRAZY HORSE
4 TOO. **During the course of the conspiracy**, and as part of and
5 in furtherance of the conspiracy, the shift manager and other
6 male employees acting within the scope of their employment at
THE CRAZY HORSE TOO, on one or more occasions
(depending in part on the patron and other circumstances) sought
to **extort payment from patrons** through explicit or implicit
threats of violence, or through actual **use of force and physical**
violence

7 *Id.* at ¶ 4, pp. 2-3 (emphasis added).

8 During the period from **2000 to 2005**, dancers at THE
9 CRAZY HORSE TOO on one or more occasions sought to
defraud customers of THE CRAZY HORSE TOO by
10 **overcharging** the customers for dances or other services provided
or by causing charges on a customer's **credit card** in excess of
11 the dances or other services provided. . . . During the course of
the conspiracy . . . the shift managers or other male employees
12 acting within the scope of their employment at THE CRAZY
HORSE TOO, on one or more occasions (depending on the
13 patron and other circumstances) assisted the dancers in the
commission of fraud by **extorting** payment from patrons through
14 explicit or implicit **threats** of violence, or through actual **use of**
force and physical violence against patrons to coerce the patrons
15 to pay the disputed sums.

16 *Id.* at ¶ 5, p. 3 (emphasis added).

17 As part of and in furtherance of the conspiracy, THE
18 POWER COMPANY, INC., **did not report or maintain**
records of the money received from the dancers. The
19 management of THE CRAZY HORSE TOO used this unreported
cash income from the business to supplement the wages of certain
20 employees. . . . [T]he **employees** that received cash salary
payments generally **under-reported** amounts received to THE
21 CRAZY HORSE TOO's bookkeeping staff. By failing to report
or record the sums of the cash payments, the **owners of THE**
22 **CRAZY HORSE TOO and the participating employees**
combined to under-report and conceal income of the owners,
23 managers, and employees . . . from the Internal Revenue
Service, the Nevada Employment Security Division, and the
24 industrial (workman's compensation) insurance providers.

25 *Id.* at ¶ 6, p. 4 (emphasis added).

26

27

28

1 From approximately **January 1, 2000 through 2005⁷**, in
2 the District of Nevada, and elsewhere,
3 [1] **POWER COMPANY, INC.**,
4 defendant herein, being associated with an enterprise . . . which
5 enterprise engaged in and the activities of which affected,
6 interstate commerce, did knowingly **conspire** and agree, with
7 ROBERT D'APICE and other persons known and unknown, to
8 conduct and to participate, directly and indirectly, **in the conduct**
9 **of the affairs of the enterprise through a "pattern of**
10 **racketeering activity"** The pattern of racketeering activity
11 through which the defendants agreed to conduct the affairs of the
12 enterprise consisted of multiple acts of **extortion** and threats
13 indictable under . . . United States Code . . . and Nevada
14 Revised Statutes . . . acts of access **device fraud** and **wire fraud**
15 indictable under . . . United States Code . . . and acts of **mail**
16 **fraud** and wire fraud indictable under . . . United States Code
17

18 *Id.* at ¶ 7, p. 5 (emphasis added).

19 **THE CRIMINAL INFORMATION**
20 **(2:06-cr-0186-PMP-PAL)**

21 **CONSPIRACY TO DEFRAUD THE UNITED STATES**

22 **FREDERICK JOHN RIZZOLO**

23 The same Criminal Information, filed June 1, 2006, also charges FREDERICK JOHN
24 RIZZOLO in one count with Conspiracy to Defraud the United States in violation of
25 18 U.S.C. § 371. The Criminal Information relevantly provides that:

26 From approximately **January 1, 2000 through 2005⁸**, in
27 the District of Nevada, and elsewhere,
28 [2] **FREDERICK JOHN RIZZOLO**,
... did willfully and knowingly **conspire** and agree together and
with others known and unknown to defraud the United States by

29 ⁷ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an
30 amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of
31 the complaint that recommends such disciplinary action is demonstrated to have been in existence
32" If the City Council approves the Complaint, and after hearing the matter determines that a
33 disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY,
34 INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

35 ⁸ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an
36 amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of
37 the complaint that recommends such disciplinary action is demonstrated to have been in existence
38" If the City Council approves the Complaint, and after hearing the matter determines that a
disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY,
INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 impeding, impairing, obstructing and defeating the lawful
2 government functions of the Department of Treasury . . . **in the**
3 ascertainment, computation, assessment, and **collection of**
4 revenue: to wit, **income and employment taxes.**

5 Document 20, Criminal Information, Count Two, ¶ 1, p. 7 (emphasis added).

6 Dancers performing at THE CRAZY HORSE TOO are
7 treated as independent contractors and are not paid by the club
8 for their services. Rather, THE CRAZY HORSE TOO patrons
9 commonly pay individual dancers for their services. The dancers
10 at THE CRAZY HORSE TOO are generally required to pay the
11 management or owners of THE CRAZY HORSE TOO a fee for
12 the opportunity to dance for customers within the club. . . . **THE**
13 **CRAZY HORSE TOO generally required that dancers pay**
14 **fifteen percent (15%) of their earnings to the business for the**
15 **privilege of dancing** The shift managers of THE CRAZY
16 HORSE TOO generally collected fifteen percent (15%) of the
17 individual dancers' earnings at the end of each shift.

18 *Id.* at ¶ 3, pp. 7-8 (emphasis added).

19 **The management of THE CRAZY HORSE TOO used**
20 **this unreported cash income from the business to supplement**
21 **the wages of certain employees. . . .** The club's floormen,
22 bouncers, bartenders, and the shift managers themselves all
23 received a share of the currency collected from the dancers.

24 *Id.* at ¶ 4, p. 8 (emphasis added).

25 **As part of the conspiracy to defraud the United States,**
26 **the management of THE CRAZY HORSE TOO including**
27 **defendant FREDERICK RIZZOLO did not report or maintain**
28 **records of the money received from the dancers. . . . THE**
29 **CRAZY HORSE TOO's procedures . . . enabled employees . . .**
30 **to under-report their cash income to THE CRAZY HORSE**
31 **TOO's bookkeeping staff and the Internal Revenue Service.**

32 *Id.* at ¶ 5, p. 8 (emphasis added).

33 **[T]he management of THE CRAZY HORSE TOO delivered to**
34 **the accountant and tax preparer for THE CRAZY HORSE TOO**
35 **records which failed to reflect the cash income from the**
36 **dancers that had been disbursed to employees.**

37 *Id.* at ¶ 6, p. 8 (emphasis added).

38 **As a further part of the conspiracy, the management of**
39 **THE CRAZY HORSE TOO, including defendant FREDERICK**
40 **RIZZOLO, filed, or cause to be filed, quarterly federal**
41 **employment tax returns under-reporting the true amount of**
42 **earnings the conspirators received in furtherance of the**
43 **conspiracy's goals to conceal the fraud. . . . [T]he owners of**

THE CRAZY HORSE TOO, in combination with participating employees, . . . evaded and failed to pay approximately \$400,000 of Federal Insurance Contributions Act (FICA) taxes and Medicare taxes owed to the United States on the unreported compensation.

Id. at ¶ 8, p. 9 (emphasis added).

THE CRIMINAL INFORMATION
(2:05-cr-17-KJD-LRL)

CONSPIRACY TO PARTICIPATE IN AN
ENTERPRISE THROUGH A PATTERN OF RACKETEERING

(ROBERT D'APICE)

CONSPIRACY TO DEFRAUD THE UNITED STATES OF TAXES
(FOURTEEN OTHER EMPLOYEES OF CRAZY HORSE TOO)

On May 31, 2006, a Criminal Information was filed in the United States District Court for the District of Nevada under Case No. 2:05-cr-17-KJD-LRL charging Robert D'Apice with Conspiracy to Participate in an Enterprise Through a Pattern of Racketeering in violation of 18 U.S.C. § 1962(d) (Count One), and fourteen (14) other employees⁹ of THE CRAZY HORSE TOO with Conspiracy to Defraud the United States of Taxes in violation of 18 U.S.C. § 371 (Count Two). The Criminal Information relevantly provides that:

COUNT ONE

(Conspiracy to Participate in a Racketeering
Enterprise in violation of 18 U.S.C. § 1962(d))

. . . .

At all times material to this Information, **THE POWER COMPANY, INC.**, doing business as the CRAZY HORSE TOO . . . **ROBERT D'APICE**, and other individuals **constituted a racketeering enterprise**

Document 21, Criminal Information, p. 2 (emphasis added).

During the period from **2000 to 2005**, dancers at THE CRAZY HORSE TOO . . . collected payments from patrons If a patron refused to pay a dancer, or a patron disputed the charges . . . the dancer typically followed the procedure of initially contacting the shift manager During the course of

⁹ Vincent Faraci, Joseph Melfi, Albert Rapuano, John Drace, Steve Alberts, Michael Muscato, James Stressing, Steve Crespi, Darren Bruy, Michael Lomonaco, Scott Speroni, Ralph Pope, Rocco Lombardo, and Robert Ubriaco.

1 the conspiracy . . . the defendant acting within the scope of his
2 employment at THE CRAZY HORSE TOO . . . **sought to**
3 **extort** payment from patrons through . . . **threats** of violence
4 . . . use of force and **physical violence against patrons** . . . in
5 violation of Nevada Revised Statutes **Defendant, THE**
6 **CRAZY HORSE TOO** and others also conspired to, and did,
7 interfere with commerce by threats and violence in violation of
8 . . . United States Code . . . and **used interstate facilities in**
9 **furtherance of** unlawful activity, to wit: **extortion**

10 *Id.* at pp. 2-3 (emphasis added).

11 From approximately **January 1, 2000 through 2005**¹⁰, . .
12 . ROBERT D'APICE . . . did knowingly conspire and agree,
13 with THE CRAZY HORSE TOO . . . to conduct and to
14 participate . . . in the conduct of the affairs of the enterprise
15 through a "pattern of racketeering activity," **The pattern**
16 **of racketeering** . . . **consisted of** multiple acts of **extortion**
17

18 *Id.* at p. 3 (emphasis added).

19 COUNT TWO

20 (Conspiracy to Defraud the United States
21 in violation of 18 U.S.C. § 371)

22

23 THE CRAZY HORSE TOO . . . was typically known as
24 a "gentlemen's club," or "strip club." . . .

25 Dancers performing at THE CRAZY HORSE TOO are
26 treated as independent contractors . . . THE CRAZY HORSE
27 TOO patrons commonly pay individual dancers for their services.
28 . . . [D]ancers at THE CRAZY HORSE TOO are generally
required to pay the management or owners of THE CRAZY
HORSE TOO a fee for the opportunity to dance [T]he shift
management of THE CRAZY HORSE TOO generally required
that dancers pay a percentage of their earnings THE
CRAZY HORSE TOO generally required that dancers pay fifteen
percent (15%) of their earnings The **shift managers** of
THE CRAZY HORSE TOO generally **collected fifteen percent**
(15%) of the individual dancers' earnings at the end of each
shift.

29 *Id.* at p. 5 (emphasis added).

30 ¹⁰ LVMC § 6.02.360 provides that a licensee subject to discipline may be fined "in an
31 amount not to exceed **\$1,000 for each day** that the violation which forms the subject matter of
32 the complaint that recommends such disciplinary action is demonstrated to have been in existence
33" If the City Council approves the Complaint, and after hearing the matter determines that a
34 disciplinary offense has been committed as set forth in the Complaint, THE POWER COMPANY,
35 INC. d/b/a CRAZY HORSE TOO is subject to a fine not to exceed **\$2,192,000**.

1 The management of THE CRAZY HORSE TOO used
2 **this unreported cash income from the business to supplement**
 the wages of certain employees. . . .

3 As part of the conspiracy to defraud the United States, the
4 **management of THE CRAZY HORSE TOO, including**
 FREDERICK RIZZOLO **did not report or maintain records of**
5 the money received from the dancers. . . . **[E]mployees were**
 permitted to self-report the amount of these cash salary
6 payments to THE CRAZY HORSE TOO's bookkeeping staff.
 THE CRAZY HORSE TOO's **procedures . . . enabled**
7 **employees, including defendants VINCENT FARACI, JOSEPH**
 MELFI, ALBERT RAPUANO, JOHN DRACE, STEVE
8 **ALBERTS, MICHAEL MUSCATO, JAMES STRESING,**
 STEVE CRESPI, DARREN BRUY, MICHAEL LOMONACO,
9 **SCOTT SPERONI, RALPH POPE, ROCCO LOMBARDO, and**
 ROBERT UBRIACO, to under-report their cash income to . . .
10 the Internal Revenue Service.

11 *Id.* at pp. 5-6 (emphasis added).

12 **[T]he management of THE CRAZY HORSE TOO delivered to**
13 **the accountant and tax preparer for THE CRAZY HORSE**
 TOO records which failed to reflect the cash income from the
14 dancers that had been **disbursed to employees.** The defendants
 . . . knew that the accountant would rely on these inaccurate
15 summary sheets to prepare . . . tax returns for the years 2000
 through 2002.

16 . . . **[T]he management of THE CRAZY HORSE TOO**
17 **knowingly caused the preparation and delivery of numerous**
 inaccurate Internal Revenue Service W-2 Forms to certain
18 employees . . . as well as **to the Internal Revenue Service. . . .**
 The management and employees of the CRAZY HORSE TOO
19 . . . then knowingly used these **inaccurate W-2 Forms to cause**
 false individual income tax returns to be filed with the
20 **Internal Revenue Service.**

21 *Id.* at p. 6 (emphasis added).

22 By failing to report or record the cash payments to the
23 club's employees, **the owners of THE CRAZY HORSE TOO,**
 in combination with participating employees . . . evaded and
24 **failed to pay** approximately \$400,000 of Federal Insurance
 Contributions Act (FICA) taxes and Medicare taxes owed to the
25 United States on the unreported compensation.

26 *Id.* at pp. 6-7 (emphasis added).

27

28

THE CRIMINAL INDICTMENT
(CR-S-05-17-KJD-LRL)

FALSE STATEMENTS BEFORE A GRAND JURY

PAULA McBRIDE

On January 18, 2005, a criminal indictment was filed in the United States District Court for the District of Nevada under Case No. CR-S-05-17-KJD-LRL charging Paula McBride (at Count Six) with Giving a False Statement Before a Grand Jury in violation of 18 U.S.C. § 1623. The indictment relevantly provides that:

COUNT SIX
(False Statement Before Grand Jury)

. . . .

On August 27, 2002, in the District of Nevada,
PAULA McBRIDE,
defendant herein, while under oath as a witness before the Special Federal Grand Jury of the District of Nevada, did knowingly make false material declarations as follows:

Q. At the time that he [individual identified as **Henry** who was **found injured** outside Crazy Horse Too] was leaving the Crazy Horse how was he walking out?

A. Calmly, kind of tipsy, a little bit.

Q. At the time that he walked out was there anyone walking out near him?

A. No.

Q. Do you know an individual by the name of Bobby D'Apice?

A. Yes, I do.

Q. **At the time that Mr. Henry walked out of the club was Mr. D'Apice anywhere near Mr. Henry?**

A. **No, he was not.**

Q. At the time Mr. Henry walked out of the club did you observe Mr. D'Apice walking immediately behind Mr. Henry?

A. No, I did not.

1 Q. [I]s it your testimony today that at the time you
2 were sitting at the front, on September 20th, 19-
3 or 2001, you observed Mr. Henry leave THE
4 CRAZY HORSE TOO by himself?

5 A. Yes, it is.

6 Q. It is your testimony today that on September 20th,
7 2001 as you were sitting at the front of the Crazy
8 Horse observing Mr Henry leave, that Bobby
9 D'Apice was nowhere near Mr. Henry?

10 A. Yes, it is.

11 The aforesaid **testimony** of . . . PAULA McBRIDE . . .
12 **was false** in that . . . PAULA McBRIDE well knew that:
13 1) defendant PAULA McBRIDE had observed the person
14 identified as Henry exit THE CRAZY HORSE TOO with or in
15 close proximity of defendant ROBERT D'APICE; and
16 2) defendant PAULA McBRIDE had observed the defendant
17 ROBERT D'APICE exit outside of the CRAZY HORSE TOO
18 with or in close proximity of the person identified as Henry.

19 Document 22, Criminal Indictment, at pp. 16-17 (emphasis added).

20 SUBSTANTIVE LAW

21 LVMC § 6.02.330(H) provides:

22 The licensee may be subject to disciplinary action by the
23 City Council for good cause, which may, without limitation,
24 include:

25

26 **The actual business activity** constitutes a public or
27 private nuisance, or **has been or is being conducted in an**
28 **unlawful, illegal or impermissible manner.** [Emphasis added.]

LVMC § 6.02.350 provides:

A licensee under this Chapter shall be subject to
disciplinary action not only for acts or omissions done by such
licensee but also for acts and omissions done by the **principals,**
managers, agents, representatives, servants or **employees** of such
licensee. [Emphasis added.]

EVIDENCE

LVMC § 6.88.090 provides:

(A) The hearing need not be conducted according to
technical rules relating to evidence and witnesses. Any relevant
evidence may be admitted.

1 (B) The respondent shall have the right to call and
2 examine witnesses on his own behalf, cross-examine opposing
3 witnesses, introduce exhibits and evidence relevant to the issues
4 of the case, and offer rebuttal evidence.

5 (C) The respondent may be called and examined by the
6 City.

7 (D) The Clerk shall have the power to issue subpoenas for
8 witnesses to appear to give testimony.

9 PENALTY

10 LVMC § 6.02.360 provides:

11 Upon a showing of good cause and in the discretion of the
12 City Council, disciplinary action against a holder may take the
13 form of **cancellation, revocation**, refusal to renew, **suspension**,
14 imposition of conditions or restrictions or civil **fine** in an amount
15 not to exceed one thousand dollars for each day that the violation
16 which forms the subject matter of the complaint that recommends
17 such disciplinary action is demonstrated to have been in
18 existence, or any combination of such actions, as the particular
19 situation may require. The Council may also impose against the
20 licensee the actual costs incurred, and a reasonable amount for
21 attorney's fees, resulting from the imposition of disciplinary
22 action. The disciplinary actions available in this Section shall be
23 in addition to, and not exclusive of, any other civil or criminal
24 remedy which otherwise might be available. [Emphasis added.]

25 ALLEGATION

26 It is alleged that **between January 1, 2000, and December 31, 2005**, THE POWER
27 COMPANY, INC., d/b/a CRAZY HORSE TOO's actual business activity constituted a public
28 nuisance, and was conducted in an unlawful, illegal and impermissible manner.

29 **THE POWER COMPANY, INC.** conspired with Robert D'Apice to engage in a
30 pattern of **racketeering activity** in violation of federal law. CRAZY HORSE TOO operated
31 in such a manner that it constituted a racketeering enterprise. It engaged in acts of **extortion**,
32 device fraud, wire fraud, and mail fraud. **CRAZY HORSE TOO defrauded customers** by
33 extorting payment from them through threats and the **use of force**.

34 **THE POWER COMPANY, INC.**, Frederick Rizzolo, and fourteen (14) of his
35 employees also engaged in a pattern of racketeering by requiring dancers to pay 15% of their
36 earnings to shift managers. These shift managers, Frederick Rizzolo, and THE POWER

1 COMPANY, INC. did not report or maintain records of this money. The management of the
2 CRAZY HORSE TOO used this unreported cash income from the business to supplement the
3 wages of certain employees. The management knowingly caused the **preparation and**
4 **delivery of inaccurate** Internal Revenue Service **W-2 Forms**, knowing that these inaccurate
5 W-2 Forms would be filed with the Internal Revenue Service, and result in the **underpayment**
6 of Federal Insurance Contribution Act (FICA) taxes and medicare **taxes**.

7 One **employee** of THE POWER COMPANY, INC. **committed perjury** before a
8 federal grand jury to conceal the involvement of another employee in extorting payment from a
9 patron utilizing threats and the actual use of force which resulted in **bodily injury**.

10 WHEREFORE, the Petitioner respectfully requests the City Council to:

11 A. Approve the Complaint for Disciplinary Action and order a disciplinary hearing
12 at which the Respondent shall appear and show cause why the license that is the subject of this
13 Complaint should not be suspended or revoked, or other disciplinary action taken; or

14 B. Grant such other and further relief as the Council deems appropriate.

15 DATED this 11 day of July, 2006.


16 RESPECTFULLY SUBMITTED:

17
18 By:


19 MARK R. VINCENT, Director
Finance and Business Services

20 BRADFORD R. JERBIC
21 City Attorney

22 By:


23 WILLIAM P. HENRY
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24 Nevada Bar No. 101
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26
27
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